

Message Text

LIMITED OFFICIAL USE

PAGE 01 ROME 02420 200556Z

12

ACTION EB-07

INFO OCT-01 EUR-12 EA-06 ISO-00 SP-02 AID-05 NSC-05

CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04

SIL-01 /077 W

----- 107029

P R 191353Z FEB 75

FM AMEMBASSY ROME

TO SECSTATE WASHDC PRIORITY 9618

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMCONSUL MILAN

AMCONSUL NAPLES

AMEMBASSY OTTAWA

AMEMBASSY PARIS

USMISSION OECD PARIS

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

LIMITED OFFICIAL USE ROME 2420

E.O. 11652: N/A

TAGS: EFIN, IT

SUBJECT: ITALIAN EXCHANGE MARKET DEVELOPMENTS

1. SUMMARY. BALANCE OF PAYMENTS FOR JANUARY REGISTERED DEFICIT OF \$379.5 MILLION. NET INTERVENTION DURING MONTH WAS HEAVY TOTALING \$285 MILLION. INTEREST PAYMENTS OF \$86 MILLION IN JANUARY ON ITALY'S LARGE ACCUMULATED FOREIGN DEBT SHOW SIZE OF THIS FOREIGN EXCHANGE BURDEN. JANUARY DEFICIT FOLLOWS SMALLER DECEMBER 1974 DEFICIT OF

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 ROME 02420 200556Z

\$95 MILLION, AND NOVEMBER 1974 DEFICIT OF \$484 MILLION.

BANK OF ITALY NOW FORECASTING A \$3.7 BILLION CURRENT ACCOUNT DEFICIT FOR 1975, THUS REVISING DOWNWARD ITS \$5.0 BILLION ESTIMATE MADE EARLY IN JANUARY. END SUMMARY.

2. MONETARY MOVEMENTS DATA FOR JANUARY RECORD DEFICIT OF \$379.5 MILLION. MAIN CHANGE IN RESERVES DURING PERIOD WAS DECREASE IN CONVERTIBLE CURRENCY HOLDINGS OD \$358.6 MILLION. BOI SHORT-TERM LIABILITIES INCREASED BY \$41.6 MILLION, BOI MEDIUM AND LONG-TERM LIABILITIES INCREASED BY \$25.2 MILLION, AND BOI SDR HOLDINGS INCREASED BY \$2.6 MILLION. COMMERCIAL BANKS NET FOREIGN LIABILITIES DECREASED BY \$43.3 MILLION.

3. NET EXCHANGE MARKET INTERVENTION IN JANUARY TOTLED \$285. MILLION. ERCOLANI, HEAD OF BOI FOREIGN EXCHANGE OPERATIONS, INDICATED THAT PURCHASES AND SALES OF FOREIGN EXCHANGE IN MARKET THROUGH FEBRUARY 18 WERE IN APPROXIMATE BALANCE. HE ASCRIBED GOOD BALANCE OF PAYMENTS RESULTS SO FAR IN FEBRUARY TO GENERAL BELIEF IN MARKET THAT, IN SHORT TERM, DOLLAR WAS MORE LIKELY TO DEPRECIATE AGAINST LIRA THAN TO APPRECIATE. THIS PROBABLY HAS ENCOURAGED SOME REPATRIATION OF CAPITAL, AS WELL AS DELAYS IN IMPORT PAYMENTS AND ACCELERATION OF EXPORT RECEIPTS (WITHIN PERMISSIBLE LIMITS). ERCOLANI THOUGHT THAT WEAKNESS OF DOLLAR REFLECTED BELIEF THAT US ANTI-RECESSION MEASURES SUCH AS LARGE BUDGET DEFICIT AND LOOSENING OF MONETARY POLICY WOULD WEAKEN DOLLAR RELATIVE TO OTHER CURRENCIES.

4. ERCOLANI ALSO SAID THAT THE BOI HAS RECENTLY REVISED DOWNWARD ITS ESTIMATE OF ITALY'S 1975 DEFICIT IN CURRENT ACCOUNT FROM \$5.0 BILLION TO \$3.7 BILLION TO WHICH SHOULD BE ADDED REPAYMENTS OF FOREIGN LOANS OF ABOUT \$1 BILLION. SMALLER CURRENT ACCOUNT DEFICIT CORRESPONDED WITH REVISED ESTIMATES FOR LARGER DECLINE IN REAL GNP THIS YEAR, IN RANGE 1-25 PERCENT. INTEREST PAYMENTS IN JANUARY TOTLED \$85.8 MILLION COMPARED TO \$20.9 MILLION FIGURE RECORDED IN DECEMBER 1974 TOTAL INTEREST PAYMENTS DUE IN 1975 ON ITALY'S EXTERNAL DEBT ARE ESTIMATED TO BE APPROXIMATELY \$1.4 BILLION.

5. ON FEBRUARY 18, FOLLOWING FINANCIAL RATES PREVAILED.
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 ROME 02420 200556Z

LIRA EXCHANGE RATE WAS 637.725 LIRE PER DOLLAR. THREE-MONTH FOWARD RATE WAS 643.975 LIRE PER DOLLAR. WEIGHTED AVERAGE DEVALUATION OF LIRA, ACCORDING TO BOI INDEX, WAS 21.89 PERCENT COMPARED TO FEBRUARY 9, 1973 BASE PERIOD. BLACK MARKET RATE IN MILAN WAS 657.50 LIRE PER DOLLAR THREE-MONTH EUROLIRA INTEREST RATE WAS 13.25 PERCENT. LIRA INTER-BANK FORTY-EIGHT HOUR RATE WAS 13.25, AND THREE-MONTH RATE WAS 12.688. VOLPE

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOREIGN EXCHANGE RATES, BALANCE OF PAYMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 19 FEB 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975ROME02420
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750060-0228
From: ROME
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750231/aaaabbza.tel
Line Count: 115
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 16 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <16 APR 2003 by KelleyW0>; APPROVED <17 APR 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ITALIAN EXCHANGE MARKET DEVELOPMENTS
TAGS: EFIN, IT
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006